



PROPERTY REPORT

Americans Spent \$100 Million on Tropical Real Estate. They Were Scammed, FTC Says.

Developers sold lots in a jungle area that they said would become a luxury resort but little was built

By Katy McLaughlin

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The U.S. government's shutdown of what it called a \$100 million real-estate investment scam in Belize highlights a growing concern: the targeting of Americans retiring abroad.

The developers were selling lots in a remote jungle area that they said would become a luxurious resort community. Instead, they pocketed the investors' money and built little, the U.S. Federal Trade Commission alleged.

The FTC filed suit last month against the developers and Belize's Atlantic International Bank, alleging it facilitated the alleged fraud. The incident marked the first time the FTC sued a foreign bank. Through a court order, the FTC froze \$10 million of the bank's assets. Additionally, in a rare move for a civil matter, a federal court in Maryland froze the passports and assets of four defendants who live in California.

The law firm Barrow & Williams, which for years has represented the developers, is owned in part by the prime minister of Belize, Dean Barrow.

Mr. Barrow said he was never informed of any complaints about the real-estate development. The firm's work for the developers "had nothing to do with being complicit in any other things that are being alleged to constitute a scam," he said.

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AIB Chief Executive Ricardo Pelayo said in a statement: "The bank did not play any part in any alleged fraud involving Sanctuary Belize."

The project, marketed under various names including "Sanctuary Belize," spanned 13 years and involved more than 1,000 investors, said Jonathan Cohen, the FTC's lead attorney on the case. In its filings, the FTC collectively refers to seven individuals and 17 companies named as defendants as "Sanctuary Belize Enterprises."

The case has come to light as more Americans are retiring overseas in countries whose laws may offer them less financial protection. The number of retirees collecting Social Security while

living abroad rose to more than 413,000 in 2017, up nearly 40% from a decade prior, according to Social Security Administration data, and Central American countries have become a draw.

About 120,000 Americans live in Costa Rica, up from about 20,000 in 2006, according to estimates published on the State Department's website. Panama and Nicaragua have also taken steps to make it easier for retirees to immigrate, looking to attract more Americans whose dollars help stimulate the local economy.

Belize, a country of 375,000 along the Caribbean, has experienced sharp growth in tourism, dominated by Americans, and second-home markets, Mr. Barrow said. It boasts a warm climate, barrier reefs and an English-speaking population.

In a filing with the Maryland court, the FTC said that investor concerns with the Sanctuary Belize project prompted multiple lawsuits filed in Belize, but that those suits brought no action and "were resolved under questionable circumstances."

In 2016, a group of investors sued the developers in Belize. Their Belizean attorney, Michael Young, was "fatally shot in his home during the pretrial proceedings, although local authorities claimed it was a suicide," the filings say. The developers then sued some of the investors for defamation and prevailed before the investors' lawsuit went to trial. Both the defamation case and the lawsuit were settled by one of the investors, who received payments from the developers, the FTC filings said.



Trisha Nelson, who lives in Ontario, Canada, says she was a victim of the alleged scam.

Regarding Mr. Young, "the matter was investigated and the police concluded that it was suicide," said Audrey Wallace, chief executive officer in the office of the prime minister. "Any suggestion otherwise is regrettable."

Trisha Nelson, a 47-year-old in Ontario, Canada, said she was a victim of the alleged scam. In early 2014, she and

her then-husband put down \$500,000 in cash toward two townhouses slated for construction a few months later.

Two years later, ground hadn't broken for her townhouses and she couldn't get a refund, she said. She gathered other disgruntled investors to fire off complaints to officials in Canada, the U.S. and Belize, including Mr. Barrow, she said.

In August and September 2017, two FTC agents posing as potential buyers recorded conversations with Sanctuary Belize Enterprises salespeople and received marketing material about the project. The FTC's complaint said that potential investors were told that lots were a "low risk investment" and that the project would be finished quickly. In fact, the FTC's filing alleges, "the development is nowhere close to finished and is unlikely to ever be finished."

The complaint alleges that the project was directed by Andris Pukke, a two-time felon from the U.S. well known to the FTC. Mr. Pukke pleaded guilty in 1996 to a felony charge of mail fraud; he was sentenced to probation. The FTC sued him for deceptive practices in 2003, when he ran debt-counseling firms AmeriDebt and DebtWorks. In 2010, he pleaded guilty to obstruction of justice in the FTC case and in a personal bankruptcy proceeding. Mr. Pukke served 15 months of an 18-month sentence in federal prison in 2011 and 2012.

The Belize property was also familiar to the agency: In 2006, a federal-district court in Maryland entered a judgment against Mr. Pukke for \$172 million in the FTC's case, of which \$137 million would be suspended if Mr. Pukke cooperated. "He absolutely did not cooperate," said Mr. Cohen. The court appointed a receiver, Robb Evans & Associates, to recover funds, including Mr. Pukke's property in Belize. Robb Evans tried and failed to wrest control of the Belize property from Mr. Pukke and his partners, who used Barrow & Williams to fight the receiver, the FTC filings say.

The Wall Street Journal attempted to reach Mr. Pukke through a lawyer who previously responded on his behalf; neither the lawyer nor Mr. Pukke responded to requests for an interview for this article. Last year, through the attorney, Kristin McGough, Mr. Pukke declined to speak to the Journal. Ms. McGough said Mr. Pukke had nothing to do with the Sanctuary project other than to provide occasional marketing consulting.

On Nov. 7, FTC attorneys made an unannounced visit to Sanctuary Belize Enterprise offices in Irvine, Calif., where temporary restraining orders and a preliminary injunction were served, halting sales, freezing assets and allowing the government's team to collect evidence. The FTC is currently seeking a permanent injunction, said Mr. Cohen.

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